REMARKS

Reconsideration of the application is requested.

Claims 1-6, 8-13 and 15-27 remain in the application. Claims 1-6, 8-13 and 15-27 are subject to examination. Claims 1, 11 and 13 have been amended. Claims 7 and 14 were previously canceled.

In item 7 on pages 2 and 3 of the Office Action, the Examiner notes that claims 1 and 13 may recite "conditional language". Claims 1, 11 and 13 have been amended to positively recite the determination of when the first investment pool is exhausted to eliminate the conditional limitation. Support for this limitation is found on page 13, lines 4-19 of the specification of the instant application which determines when the first investment pool is exhausted.

Under the heading "Claims Rejection - 35 USC § 101", the claims are rejected as non-statutory subject matter. A claimed process is surely eligible under §101 if (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or

thing (In re Lewis Ferguson et al., 2007-1232 (Serial No. 09/387,823).

Independent claims 1, 11 and 13 recite "A method for allocating assets of a portfolio,… investing a first portion of the assets in a first investment pool at an assumed average first rate of return". In this case, the "assets" (e.g. cash) are transformed into "an investment pool" (e.g. certificates of deposits, stocks, bonds, etc.) having a given a rate of return. In other words, the cash is exchanged for the securities in the investment pool. Simply put one asset is turned into another asset. This is by definition believed to be a transformation that qualifies under § 101.

Furthermore, claim 13 recites "distributing the assets from the seventh investment pool when the assets in the first investment pool are exhausted". This is another transformation step in which the assets of the seventh investment are further transformed back to cash to be distributed. In addition, there is the positive step of distributing the assets in which the assets are transferred.

In view of the above, Applicant requests that the rejection under 35 USC § 101 be withdrawn.

Under the heading "Claims Rejection - 35 USC § 103" of the above-identified Office Action, claims 1-4, 13, 22-24 and 26-27 have been rejected as being obvious over the article entitled "Choices for Conservative Savers by Singletary" (hereinafter Singletary) in view of U.S. patent publication No. 2002/0019793 to Frattalone (hereinafter Frattalone) under 35 U.S.C. § 103.

Singletary focuses on laddering CDs in order to maximize ones return from CDs as noted in paragraphs 0003, 0013. Initially a one-year CD, a two-year CD, a three-year CD, a four-year CD and a five-year CD are purchased. It is the goal of Singletary that all of the CDs eventually become five year CDs thus giving the maximum rate of return. Singletary does not concentrate on distribution of funds from the investment portfolio. Singletary does mention that money-market accounts should be used for money you may need in the short term [0016]. Singletary does identify the one-year CD as the first CD to be exhausted or flipped to a new five-year CD if it is not exhausted [0013]. Singletary does not concentrate on distribution

of funds from the investment portfolio.

As noted by the Examiner, Frattalone teaches an investment strategy based on portfolio diversification. The Examiner believes that it would be logical to combine the teachings of Frattalone with Singletary to read on the invention of the instant application.

It is questioned how the combination recited by the Examiner would be performed. More specifically, how would one ladder a diversified portfolio according to the method taught in Singletary? In Singletary, the end result would be to own one and only one type of financial instrument (e.g. the 5 year CDs). This certainly runs counter to the teachings of Frattalone. In other words, Frattalone is not compatible with Singletary. MPEP 2143.01 is clear on this point and recites that "the proposed modification cannot render the prior art unsatisfactory for its intended use". Simply put, Singletary's overriding goal is to end up with only 5 year CDs (a single investment instrument). In contrast, Frattalone teaches a portfolio of diversified assets (multiple investment instruments). Frattalone teaches directly against (away from) Singletary.

In addition, claim 1 has been amended and recites:

> determining when the first investment pool will be exhausted and converting assets of the second investment pool into a fourth investment pool having the assumed average first rate of return only after the first investment pool is exhausted.

Neither Singletary nor Frattalone actively calculated when the first investment pool will be exhausted and determine actively a method for <u>replenishing</u> the depleted distribution pool. Claims 11 and 13 recite similar language.

In item 12 on pages 9-16 of the above-identified Office Action, claims 5, 6, 11, 12, 15-21 and 25 have been rejected as being obvious over the article titled "Choices for Conservative Savers" by Singletary (hereinafter Singletary) in view of U.S. patent publication No. 2002/0019793 to Frattalone (hereinafter Frattalone), and further in view of U.S. patent publication No. 2002/0174045 to Arena et al. (hereinafter Arena)under 35 U.S.C. § 103.

The Examiner states that Singletary and Frattalone do not teach the features of claim 5 and therefore relies on Arena for teaching the features of claim 5.

Claim 5 recites:

> bifurcating assets of the third investment pool into a fifth investment pool having the assumed average first rate of return and a sixth investment pool having the assumed average second rate of return when the fourth investment pool is completely exhausted due to the distributions of income and return of principle; and
>
> distributing assets from the fifth investment pool until the fifth investment pool is exhausted due to the distributions of income and return of principle.

The Examiner states that it would be obvious to rebalance the assets of Singletary in view of Frattalone using the teachings of Arena.

Arena teaches rebalancing when the risk levels are no longer at a desired level. There are no teachings in Arena that teaches rebalancing when a given pool is exhausted. Neither Frattalone nor Singletary teach this feature either. Claim 5 recites the "rebalancing" only after the distribution investment pool (e.g. fourth investment pool) is exhausted. Arena does <u>not</u> teach rebalancing due to exhaustion of a given fund (investment pool), rather rebalancing is performed only after <u>a risk level change has occurred</u>. For example, Arena teaches that the rebalancing occurs when the portfolio mix

violates an asset allocation ratio such as 60/40 stocks/bonds (see 0093-0095). If the allocation ratio is violated, a rebalancing occurs in that portfolio. Please note that the rebalancing is done portfolio wide. There is no teaching to rebalance <u>only a subpart</u> of the portfolio to create one investment pool to be exhausted first as recited in the claims 1, 5, 11 or 13 of the instant application.

It is noted that the heart or overall goal of Singletary is to get all of the investments to be five-year CDs in order to get the maximum CD rate. However, to rebalance, the Examiner is suggesting that Singletary would now rebalance and buy 1, 2, 3, and 4 year CDs, in addition to the five-year CD. Clearly, Singletary teaches **directly against** such a rebalancing. Therefore one cannot incorporate the teachings of Arena into Singletary, as the proposed combination changes the principle operation of the Singletary reference. As already noted it is <u>impermissible to recite a combination that destroys the principle operation of the main reference</u>. The Examiner states that Singletary teaches earning the greatest rate of return and that the rebalancing taught in Arena is compatible. In order to obtain the greatest rate of

return, all of the investments must be in one investment type (that providing the greatest return e.g. the five-year CD). However, Arena clearly teaches against this, as rebalancing lowers the rate of return in exchange for greater diversity and less risk. Therefore, Arena teaches purchasing the lower risk CDs, e.g. a one or two year CD. By the Examiner's own logic, Singletary and Arena are incompatible because Arena does not teach obtaining the greatest return. Arena teaches a clear risk - return balance.

Most if not all inventions arise from a combination of old elements. See In re Rouffet, 149 F.3d 1350, 1357, 47 USPQ2d 1453,1457 (Fed. Cir. 1998). Thus, every element of a claimed invention may often be found in the prior art. See id. However, identification in the prior art of each individual part claimed is insufficient to defeat patentability of the whole claimed invention. See id. Rather, to establish obviousness based on a combination of the elements disclosed in the prior art, there must be some motivation, suggestion or teaching of the desirability of making the specific combination that was made by the appellant. See In re Dance, 160 F.3d 1339, 1343, 48 USPQ2d 163.5, 1637 (Fed. Cir. 1998); In re

Gordon, 733 F.2d 900, 902, 221 USPQ 1125,1127 (Fed. Cir. 1984).

It is further noted that the invention of the instant application does not do a portfolio wide rebalancing act as taught in Arena or Frattalone. Rather in the instant application the "rebalancing" is merely localized to one other investment pool. It is even further noted that following the logic of Frattalone or Arena the rebalancing would occur long before the first pool is exhausted as the lowering value of the first investment pool would trigger an automatic rebalancing long before the first investment pool is exhausted.

The invention of the instant application, hereinafter TEDI model, does incorporate a laddering strategy using various investment instruments (not just CDs) designed to add more risk as the time horizon increases (higher rates of returns for the longer term investment pools). The TEDI model emphasizes tax minimization by withdrawing principal and interest from funds from one pool and only one pool until all monies from that pool are exhausted. Of course that pool is designed to be the first to be exhausted. The other pools are designed knowing that they will not

have cash withdraws for a given period of time. In the prior art references there is no discussion of tax minimization and/or efficiency in their processes, by one pool being designated to be exhausted first and the other pools are not concerned with distributions.

In summary, there are no teachings in Arena, Frattalone or Singletary to rebalance the investment pools by "converting assets of the second investment pool into a fourth investment pool (seventh investment pool) having the assumed average first rate of return <u>only after the first investment pool is exhausted</u>" (emphasis added).

Applicant agrees that the concept of staggering or laddering pools of money is well known in the art. However, the invention of the instant application, the TEDI model, builds on the concept of laddering pools of money. The differentiator is basically the concept of principal exhaustion from one pool of monies at a time while the other pools can experience the compounding effect as well as tax-efficiency of not having to distribute taxable income until that pool of monies is called upon.

Regarding claim 11 of the instant application, claim 11 recites in part:

> designating a first investment pool of the investment pools to have an assumed average first rate of return being a lowest rate of return of all the investment pools and from which distributions are first withdrawn from, as needed, before withdrawing funds from any of the other investment pools; and
>
> converting at least part of the assets of a second investment pool having an assumed average second rate of return being a next lowest rate of return into a new investment pool when the first investment pool is exhausted due to distributions, the assets of the new investment pool being invested at a same assumed average rate of return as the first investment pool and being available for distribution.

Simply put, Arena does not teach rebalancing when a given pool is exhausted. In addition, Arena does not teach rebalancing of only the second investment pool for recreating a new exhaustion pool. Rather Arena dictates a portfolio wide rebalancing.

For the above stated reasons, the Examiner is respectfully requested to withdraw the rejection.

In item 14 on page 17 of the above-identified Office Action, claim 10 has been rejected as being obvious over

the article entitled "Choices for Conservative Savers" by Singletary (hereinafter Singletary) in view of U.S. patent publication No. 2002/0019793 to Frattalone (hereinafter Frattalone), in view of U.S. patent publication No. 2002/0174045 to Arena et al. (hereinafter Arena) and further in view of U.S. patent publication No. 2004/0088236 to Manning (hereinafter Manning) under 35 U.S.C. § 103.

Claim 10 is based on amended claim 1 which is believed to be allowable and therefore claim 10 is believed to be allowable.

It is accordingly believed to be clear that none of the references, whether taken alone or in any combination, either show or suggest the features of claims 1, 11 or 13. Claims 1, 11 and 13 are, therefore, believed to be patentable over the art. The dependent claims are believed to be patentable as well because they all are ultimately dependent on claim 1, 11 or 13.

In view of the foregoing, reconsideration and allowance of claims 1-6, 8-13 and 15-27 are solicited.

Please charge any other fees that might be due with respect to Sections 1.16 and 1.17 to the Deposit Account of Lerner Greenberg Stemer LLP, No. 12-1099.

**If the claims are not deemed to be allowable, the Examining Attorney is requested to call the undersigned to discuss this matter.**

Respectfully submitted,

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